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C O N F I D E N T I A L SECTION 1 OF 10 BRASILIA 3223

EO 11652 XGDS-1
TAGS: PFOR, PINT, SHUM, ENRG, ECON, BR
SUBJECT: ANNUAL POLICY AND RESOURCES ASSESSMENT: PART I

REFS: CERP 0001, STATE 38338, STATE 38356, STATE 45461,
STATE 57382, STATE 47671

I. SUMMARY OF US INTERESTS IN BRAZIL

A. WORLD ORDER--BRAZIL'S BEHAVIOR IN HER DRIVE TO GREAT POWER STATUS, THE MANNER IN WHICH BRAZIL APPLIES ITS INCREASING INFLUENCE AND POWER--IN INTERNATIONAL FORUMS, IN LATIN AMERICA, AND IN THE WORLD AT LARGE--AND THE OUTLOOK AND INTENTIONS OF BRAZIL THAT EMERGES IN THE FIRST QUARTER OF THE NEXT CENTURY FROM THE TRANSITION PROCESS ARE OF GREAT IMPORTANCE TO THE US AND TO THE OVERALL STABLE PROGRESSIVE, AND JUST WORLD ORDER THAT WE SEEK. AN ALIENATED BRAZIL, DISTRUSTFUL OF US AND WESTERN INTENTIONS, COULD IMPERIL MAJOR US BILATERAL AND REGIONAL INTERESTS AND COULD EMERGE AS A SERIOUS DISRUPTIVE FORCE IN THE SEARCH FOR
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A STABLE WORLD ORDER. HENCE, THE FUNDAMENTAL INTEREST OF THE US IS TO FOSTER A RELATIONSHIP THAT ENCOURAGES BRAZIL, NOW AND IN THE FUTURE, TO BE A CONSTRUCTIVE, RESPONSIBLE PARTNER IN SEEKING COOPERATIVE SOLUTIONS TO THE COMPLEX CHALLENGES OF INTERDEPENDENCE.

B. NON-PROLIFERATION--CLOSELY RELATED TO AN OVERALL CONCERN FOR A STABLE WORLD ORDER IS OUR INTEREST IN MAKING BRAZIL'S NUCLEAR

ASPIRATIONS AND EVENTUAL CAPABILITIES COMPATIBLE WITH EVOLVING US CONCEPTIONS OF A BETTER WORLD NON-PROLIFERATION REGIME AT AS LOW A COST TO US-BRAZILIAN RELATIONS AS POSSIBLE. THIS INTEREST WITH RESPECT TO BRAZIL IS AN INTEGRAL, AND KEY PRECEDENTIAL ELEMENT OF OUR GLOBAL NON-PROLIFERATION INTEREST.

C. US ECONOMIC PROSPERITY--THE OVERALL INTEREST OF US ECONOMIC PROSPERITY IN BRAZIL TAKES THE FORM OF A MAJOR AND CONTINUING INTEREST IN PRESERVING THE FAVORABLE TRADE, INVESTMENT AND FINANCIAL POSITIONS OF THE US HERE. SPECIFICALLY, THE US HAS AN INTEREST IN:
(1) MINIMIZING THE IMPACT OF BRAZIL'S TRADE DIVERSIFICATION POLICY ON THE US SHARE OF THE BRAZILIAN MARKET;
(2) FOSTERING US INVESTORS' INTEREST IN BRAZIL, SO THAT THE US BUSINESS COMMUNITY CAN CONTINUE TO PARTICIPATE FULLY IN THE EXPANSION

OF THE BRAZILIAN INTERNAL MARKET
AND EXPORT DRIVES, WHOSE POTENTIALS ARE SIGNIFICANT; AND (3)
ASSURING THAT BRAZIL FOLLOWS THE APPROPRIATE MIX OF ECONOMIC POLICIES TO REMAIN ABLE TO SERVICE ITS FOREIGN DEB OF \$30 BILLION BY THE END OF 1977, ABOUT HALF OF WHICH IS HELD BY US BANKS, WHILE AT THE SAME TIME (4) SECURING THE EARLIEST POSSIBLE WITHDRAWAL OF THE "TEMPORARY" BALANCE-OF-PAYMENTS MEASURES WHICH RESTRICT US EXPORTS TO BRAZIL.

D. POLITICAL DEVELOPMENT AND HUMAN RIGHTS--THE US HAS A LONG-TERM INTEREST IN BRAZIL'S INSTITUTIONAL DEVELOPMENT TOWARDS A MORE OPEN, BASICALLY DEMOCRATIC POLITICAL SYSTEM, AND A MORE IMMEDIATE INTEREST IN BRAZILIAN OBSERVANCE OF ACCEPTABLE STANDARDS OF

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HUMAN RIGHTS. THESE CONCERNS SPRING FROM MORAL VALUES AND THE CONVICTION THAT DEMOCRATIC POLITICAL COMPATIBILITY WILL ENHANCE PROSPECTS FOR BRAZIL'S FULL INTEGRATION INTO THE WESTERN COMMUNITY. IN A NARROWER, OPERATIONAL SENSE, CONTINUED BRAZILIAN PROGRESS IN THE FIELD OF HUMAN RIGHTS WOULD REMOVE A SOURCE OF FRICTION IN OUR BILATERAL RELATIONS, BY ASSURING GREATER CONGRESSIONAL SUPPORT FOR US COOPERATIVE PROGRAMS OF BENEFIT TO BRAZIL AND BY BRINGING ABOUT THE POSITIVE PUBLIC AND MEDIA ATTITUDES IN THE US TOWARD BRAZIL ON WHICH A LONG-TERM EFFECTIVE BILATERAL RELATIONSHIP MUST REST.

E. US NATIONAL SECURITY--THE POTENTIAL STRATEGIC VALUE OF BRAZIL TO US NATIONAL SECURITY WHICH WOULD BE REALIZED ONLY IN THE EVENT OF A CONFLICT OF SUFFICIENT GRAVITY TO CAUSE BRAZIL TO SEE ITS SECURITY INTERESTS AS CONSONANT WITH OURS, WOULD DERIVE FROM:
(1) HER POTENTIAL AS A STRATEGIC RESERVOIR OF RAW MATERIALS, MANPOWER, AND INDUSTRIAL CAPACITY FOR HEMISPHERIC AND WESTERN ALLIANCE DEFENSE; (2) AVAILABILITY OF TRANSIT
AND LOGISTICAL SUPPORT FACILITIES IN A COUNTRY WITH A CENTRAL

POSITION IN SOUTH AMERICA, FACING AFRICA, AND WITH OPERATIONAL PROXIMITY TO ALL THE SOUTH ATLANTIC SEA LANES AND CHOKEPOINTS; (3) THE LIMITED OPERATIONAL SUPPORT BRAZIL COULD PROVIDE IN SOUTH ATLANTIC MARITIME DEFENSE, THUS PERMITTING THE RELEASE OF SOME US FORCES TO ASSUME OTHER MISSIONS; AND (4) BRAZIL'S POTENTIAL FOR POSSIBLE PEACEKEEPING ROLES, FAVORABLE TO WESTERN INTERESTS BY VIRTUE OF ITS CURRENT STATUS AS A MODERATE THIRD WORLD COUNTRY. IT SHOULD BE EMPHASIZED, HOWEVER, THAT WE SHOULD NOT EXPECT BRAZILIAN CONTRIBUTIONS TO OUR NATIONAL SECURITY SHORT OF A DIRECT US-USSR CONFLICT; THAT IS, IT IS HIGHLY UNLIKELY THAT BRAZIL COULD BE COUNTED ON FOR SUPPORT IN "PROXY" CONFLICTS IN, FOR EXAMPLE, AFRICA OR THE MIDDLE EAST.

II. AMBASSADOR'S OVERVIEW

DURING THE NEXT ONE TO TWO YEARS THE BRAZILIAN GOVERNMENT WILL CONTINUE TO FACE INTERLOCKING INTERNAL POLITICAL AND
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ECONOMIC PROBLEMS THAT WILL WORK AGAINST ANY ALLEVIATION OF THE CURRENT CLIMATE OF UNCERTAINTY AND INSECURITY AND

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AND MAKE VERY DOUBTFUL ANY FURTHER SERIOUS GOVERNMENT CONCESSIONS TO INCREASING POPULAR DESIRE FOR FURTHER LIBERALIZATION. DESPITE PROSPECTS FOR AN EXCELLENT BALANCE OF PAYMENTS PERFORMANCE IN 1977 AND PROBABLY IN 1978 (THE COFFEE WINDFALL) AND A FAIR RATE OF GROWTH, THE OVERALL ECONOMIC SITUATION WILL REMAIN A SERIOUS POLITICAL LIABILITY FOR THE ADMINISTRATION AND THE REVOLUTION ITSELF. AUSTERITY MEASURES ARE BEING CLEARLY FELT, PARTICULARLY BY THE MIDDLE CLASS; INFLATION SHOWS, THUS FAR, FEW SIGNS OF ABATING; AND RISING UNEMPLOYMENT IS EXPECTED IN SOME SECTORS IN THE COMING MONTHS. THE INCREASE IN UNPOPULARITY OF THE GEISEL GOVERNMENT, WHICH REFLECTS THE LONGER-TERM GROWTH OF PUBLIC FATIGUE WITH THE NOW THIRTEEN-YEAR OLD REVOLUTION, AS WELL AS THE ANXIETY ABOUT ECONOMIC PROSPECTS AND POLICIES, CONFRONTED THE REGIME WITH THE PROSPECT OF A CLEAR POPULAR REPUDICATION IN THE STATE AND CONGRESSIONAL ELECTIONS SCHEDULED TO BE HELD IN 1978 AND EXPLAINED THE DECISION OF THE REGIME TO RIG THE ELECTIONS BY A SERIES OF RETROGRADE MEASURES.

THE MEASURES, INCLUDING CAREFULLY CONTROLLED INDIRECT
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ELECTIONS OF GOVERNORS AND SOME SENATORS AND SPECIAL ARRANGEMENTS TO ADD WEIGHT TO THE VOTING STRENGTH OF THE GOVERNMENT-BACKED ARENA PARTY WERE INSTITUTED BY PRESIDENT GEISEL, WITH THE SUPPORT OF THE CONSERVATIVE ELEMENTS, IN ORDER TO DENY THE OPPOSITION MDB ACCESS TO POWER IN THE 1978 ELECTIONS AND TO GET THE REGIME THROUGH THE CURRENT PARLOUS ECONOMIC SITUATION WITHOUT FURTHER MAJOR IMPAIRMENT OF THE REVOLUTION'S POSITION. THE REACTION AMONG POLITICALLY MINDED BRAZILIANS TO THE HARDENING OF THE REGIME AND THE FURTHER GROWTH OF PUBLIC ALIENATION WILL BECOME APPARENT OVER TIME. HAVING DEMONSTRATED ITS UNWILLINGNESS AND INABILITY TO FACE THE ELECTORATE BY OPTING FOR TIGHTER POLITICAL CONTROLS, THE ADMINISTRATION NOW CONFRONTS OTHER BASIC DOMESTIC AND FOREIGN POLICY CHOICES IN THIS UNSETTLED PERIOD THAT WILL HELP SHAPE BRAZIL'S POLITICAL COURSE FOR THE NEXT SEVERAL YEARS. GEISEL AND THE MILITARY ELITE THAT CONTROLS THE REVOLUTIONARY SYSTEM MUST CARRY OUT THE POTENTIALLY DISRUPTIVE PROCESS OF CHOOSING GEISEL'S SUCCESSOR, TO TAKE OFFICE IN MARCH 1979.

IMPORTANT FOREIGN POLICY CHOICES, AS WELL, MUST BE MADE IN THAT UNFAVORABLE ENVIRONMENT. THE GOVERNMENT'S INSECURITY AT HOME, ITS SENSITIVITY TO EROSION OF ITS POPULARITY, AND ITS INDECISIVENESS HAVE BEEN AND WILL CONTINUE TO BE REFLECTED IN BOTH THE STYLE AND SUBSTANCE OF ITS APPROACH TO MAJOR FOREIGN POLICY CONCERNS, PARTICULARLY THOSE WITH THE US. KEENLY CONCERNED WITH REAFFIRMING AND REANIMATING THE REVOLUTION'S FALTERING DYNAMISM, ITS CREDIBILITY, AND ITS NATIONALIST CREDENTIALS, THE ADMINISTRATION WILL BE MORE INCLINED THAN USUAL TO ASSERT

FOREIGN POLICY INDEPENDENCE FROM THE US OR TO RESIST
US INITIATIVES THAT ARE CONCEIVED OR PRESENTED AS BEING
INTENDED TO BLOCK BRAZIL'S FOREORDAINED ADVANCE TO GREATNESS
THROUGH RAPID ECONOMIC AND TECHNOLOGICAL DEVELOPMENT. THE BRAZIL-
FRG NUCLEAR AGREEMENT, THE GEISEL ADMINISTRATION'S PRIME FOREIGN
POLICY ACCOMPLISHMENT, WILL REMAIN THE SINGLE OVERARCHING ISSUE
IN BRAZIL'S FOREIGN POLICY AND IN US-BRAZILIAN RELATIONS. AS SUCH,
IT WILL CONTINUE TO SHAPE AT LEAST IN PART THE ADMINISTRATION'S
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ATTITUDES AND RESPONSES ON OTHER MAJOR BILATERAL MATTERS OF
CONCERN WITH THE US INVOLVING NATIONAL SOVEREIGNTY, SUCH AS
HUMAN RIGHTS, OR ECONOMIC DEVELOPMENT, SUCH AS TRADE RESTRICTIONS.
FREIGHTED WITH NATIONALISTIC APPEAL, THE NUCLEAR ISSUE WILL ALSO
REMAIN FOR THE ADMINISTRATION A VALUABLE UNIFYING CAUSE AROUND
WHICH TO RALLY AN OTHERWISE DIVIDED PUBLIC OPINION AND DIVERT
CRITICAL ATTENTION FROM THE PROBLEMS OF POLITICAL RETROGRESSION
AND ECONOMIC DIFFICULTIES.

WHILE THE ISSUES ARE TROUBLESOME AND EMOTION-LADEN,
THE ENVIRONMENT UNCONGENIAL, AND THE PROSPECTS STRONG FOR
FURTHER SERIOUS FRICTIONS, I CONSIDER OUR BASIC INTERESTS ESSENTIALLY
UNCHANGED AND VALIDLY DEFINED. THE SEVERITY OF OUR CURRENT
CONFLICTS, RATHER THAN INVALIDATING, MAKES MORE URGENT AND
IMPERATIVE OUR LONG-RANGE OBJECTIVE OF IDENTIFYING WITH AND
WHERE POSSIBLE ASSISTING BRAZIL'S TRANSITION TO MAJOR POWER
STATUS SO THAT BRAZIL WILL NOW AND IN THE FUTURE SEE AND ACCEPT
THE US, NOT AS AN OBSTACLE AND A RIVAL, BUT AS A CLOSE FRIEND AND
COLLABORATOR AND RESPONSIBLE PARTNER IN THE PURSUIT OF THEIR
MUTUAL BENEFIT AND THAT OF THE BRADER INTERNATIONAL COMMUNITY.
OUR TASK NOW IS TO ENSURE THAT OUR PRESENT CONFLICTS NOT BECOME
PERMANENT ANTAGONISMS, THAT TODAY'S DIVERGENCIES NOT OBSCURE
FOR BRAZIL THE FUNDAMENTAL PARALLELISM OF MANY OF ITS LONG-RANGE
INTERESTS WITH OUR OWN. AMID ALL THE NAGATIVE EMOTIONALISM AND
DISTORTIONS OF THE PAST TWO MONTHS, I HAVE BEEN ENCOURAGED,
WITH RESPECT TO THE LONGER-TERM OUTLOOK FOR OUR BASIC INTERESTS,
BY EVIDENCE OF UNDERLYING BELIEF AMONG MANY BRAZILIAN LEADERSHIP
ELEMENTS IN THE IMPORTANCE AND NECESSITY OF A CONTINUING CLOSE
ASSOCIATION WITH THE UNITED STATES.

A. WORLD ORDER--RECENT OPEN FRICTIONS IN OUR BILATERAL RELATIONSHIP
HAVE HIGHLIGHTED THE UNDERLYING DIVERGENCIES IN SOME OF OUR
PERCEPTIONS AND INTERESTS. OUR CURRENT DISPUTES OVER BILATERAL
TRADE, HUMAN RIGHTS, AND ABOVE ALL BRAZIL'S DESIRE FOR A FULL-
CYCLE NUCLEAR CAPABILITY, HAVE ALSO SHARPENED RATHER THAN
MUTED SOME OF THE NEGATIVE STRAINS IN THE BASIC BRAZILIAN
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PARTICULARLY AS DEFINED BY THE CURRENT ITAMARATY LEADERSHIP,
SUCH AS THE OBSESSION WITH AFFIRMING, EVEN DEMAGOGICALLY,
FOREIGN POLICY INDEPENDENCE, AND IDENTIFICATION WITH THE THIRD
WORLD; AND THE LIMITED SENSE OF COMMITMENT TO EAST-WEST POLITICAL
AND SECURITY CONCERNS OF VITAL IMPORTANCE TO THE US AND THE WEST.

BUT COUNTERBALANCING THESE STRAINS ARE THE MAJOR ADVANTAGES AND
SOURCES OF INFLUENCE REMAINING TO THE US IN BRAZILIAN SOCIETY,
STRONG POINTS THAT CAN BE EXPLOITED IN FOSTERING A BRAZILIAN SENSE
OF MUTUALITY AND COOPERATION. A WIDE SECTOR OF BRAZILIAN ELITES
CONTINUE TO ACCEPT US CAPITAL, TECHNOLOGY AND MARKETS AS INDIS-
PENSABLE TO BRAZIL'S SOUND DEVELOPMENT. SIMILARLY BRAZIL'S
INVOLVEMENT WITH THE THIRD WORLD STILL LACKS STRONG SUPPORT AMONG
MUCH OF THE LEADERSHIP OF PRIVATE BUSINESS AND OF UPPER LEVEL OF
GOVERNMENT. WIDESPREAD IN THESE AREAS IS THE CONVICTION THAT
BRAZIL'S RATE AND LEVEL OF DEVELOPMENT, THE SIZE AND COMPLEXITY
OF ITS TECHNOLOGICAL AND CAPITAL NEEDS, ITS RISING IMPORTANCE
AS AN EXPORTER OF INDUSTRIAL PRODUCTS AS WELL AS RAW MATERIALS,
AND ITS COMMITMENT TO FOREIGN INVESTMENT AND FREE MARKET PRINCIPLES
GIVE IT RELATIVELY LITTLE IN COMMON WITH THE MORE PRIMITIVE AND
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IMPOVERISHED MAJORITY OF THE UNDERDEVELOPED WORLD. MOREOVER, MANY EDUCATED BRAZILIANS ADMIRE AND WOULD PREFER TO SEE BRAZIL EMULATE THE OPENNESS, MOBILITY AND HUMANENESS OF THE SOCIETIES OF THE US AND OTHER WESTERN INDUSTRIAL DEMOCRACIES.

THROUGHOUT THE PERIOD COVERED BY THIS REPORT, BRAZIL WILL REMAIN AN IMPORTANT AND RESPECTED PARTICIPANT IN INTERNATIONAL AND REGIONAL PROCESSES TO DETERMINE THE SHAPE OF THE EMERGING WORLD ORDER. ITS PERFORMANCE MAY DEPEND IN LARGE PART ON OUR SUCCESS IN DEMONSTRATING TO BRAZIL THAT, DESPITE SERIOUS IMMEDIATE DIFFERENCES, MANY OF OUR LONG-RANGE INTERESTS ARE PARALLEL AND OUR VISION OF A JUST WORLD ORDER AND THE PROPER STEPS TO REACH IT IS NOT INCOMPATIBLE WITH BRAZIL'S. WHILE BRAZIL'S INTERNATIONAL INVOLVEMENT IS STEADILY MORE VARIED AND COMPLEX, WE EXPECT THAT ITS ATTITUDE WILL BE OF MORE THAN USUAL SIGNIFICANCE IN THE FOLLOWING AREAS OF CONCERN TO THE US:

A. NORTH-SOUTH DIALOGUE--LIKE MOST LDCS, BRAZIL'S GENERAL OBJECTIVE IN THE VARIOUS FORUMS WHICH CONTINUE THE DIALOGUE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES IS TO OBTAIN DC RECOGNITION OF ITS DEVELOPMENT NEEDS IN THE FORM OF SPECIAL AND DIFFERENTIAL (S&D) TREATMENT. IN THE MTN, BRAZIL HAS VOICED ITS DISAPPOINTMENT OVER WHAT IT REGARDS AS THE LACK OF PROGRESS AND HAS SUCCESSFULLY PROPOSED THE CREATION OF THE "FRAMEWORK IMPROVEMENT GROUP" DESIGNED TO REFORM PARTS OF THE GATT BY EXTENDING THE APPLICATION OF THE S&D PRINCIPLES.

IN THE NORTH-SOUTH FORUMS (CIEC, UNCTAD, UNGA/7SS, LOS) BRAZIL HAS GIVEN PRIORITY TO SUCH ISSUES AS ENERGY, COMMODITIES, DEBT, AND TRANSFER OF TECHNOLOGY. IN THESE MEETINGS, BRAZIL HAS GENERALLY ECHOED THE TIGHT G-77 POSITIONS AND DEMANDS, ALTHOUGH IT HAS SOUGHT WORKABLE SOLUTIONS. THERE ARE, HOWEVER, INDICATIONS THAT BRAZIL IS ALSO BECOMING SOMEWHAT DISENCHANTED WITH THE POOR ECONOMIC AND POLITICAL RESULTS OF ITS ASSOCIATION WITH THE G-77 FROM WHICH BRAZIL'S EXPECTATIONS OF CONCRETE RESULTS NEVER WERE HIGH) AND, WHILE NOT TOTALLY ABANDONING THE

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MULTILATERAL ROUTE, WILL RENEW ITS EFFORTS TO REACH INDIVIDUAL ACCOMMODATIONS WITH BOTH ESTABLISHED AND POTENTIAL TRADING PARTNERS BY BILATERAL APPROACHES.

IT SHOULD ALSO BE EMPHASIZED, HOWEVER, THAT BRAZILIAN FRUSTRATION WITH THE G-77 AND DISAPPOINTMENT WITH THE SLOW PROGRESS OF GLOBAL REFORMS WILL PROBABLY TEND TO INCREASE BRAZIL'S ALREADY HEIGHTENED SENSITIVITY TO ANY FURTHER USG ACTS

WHICH THE GOB MAY REGARD AS RETARDING NATIONAL DEVELOPMENT.

B. ON MULTILATERAL SECURITY AND POLITICAL ISSUES, BRAZIL
GENERALLY HAS BETTER OPPORTUNITIES--WITH LESS COST IN TERMS
OF SPECIFIC TANGIBLE INTERESTS--TO AFFIRM ITS INDEPENDENCE AND
THIRD WORLD CREDENTIALS WHILE REDRESSING ITS TRADE AND NUCLEAR
GRIEVANCES WITH THE US. PROSPECTS ARE FOR A CONTINUATION OR
AGGRAVATION OF THE EXISTING TENDENCY TO DIVERGE FROM THE US ON
SUCH ISSUES AS DISARMAMENT AND NON-PROLIFERATION (SEE SEPARATE
INTEREST DISCUSSION), HUMAN RIGHTS, NON-SELF-GOVERNING TERRITORIES,
MIDDLE EAST, AND EAST-WEST SECURITY ISSUES. BASIC INTERESTS, HOWEVER,
MAY DICTATE MORE OBJECTIVE, CONSTRUCTIVE BRAZILIAN BEHAVIOUR
ON SUCH QUESTIONS AS TERRORISM, NARCOTICS, NON-NUCLEAR ENERGY,
AND GRADUALLY, ON POPULATION AND ENVIRONMENT.

C. BRAZIL, WITHIN THE LIMITS OF ITS AVAILABLE RESOURCES, WILL
CONTINUE ITS EFFORTS TO EXPAND ITS PRESENCE IN ITS PRIORITY
TARGET AREAS OF INFLUENCE, LATIN AMERICA AND SUB-SAHARAN AFRICA.
BRAZIL'S LATIN AMERICAN ROLE REMAINS AMBITIOUS, THOUGH CAUTIOUS AND
UNAGGRESSIVE, AND BASED MAINLY ON EXPANSION OF TRADE AND INVEST-
MENT TIES. BRAZIL'S WEIGHT REMAINS POTENTIALLY IMPORTANT
IN ANY MULTINATIONAL EFFORTS TOWARD PEACEFUL SOLUTIONS OF THREATEN-
ING REGIONAL CONFLICTS. AT THE SAME TIME, BRAZIL'S INCREASED
SENSE OF CONFRONTATION WITH THE US COULD INDUCE A LESS SUPPORTIVE
APPROACH ON OAS REFORM, PANAMA, AND THE ATTITUDE OF SELA. IN
BLACK AFRICA, SINCE BRAZIL'S INTERESTS ARE MORE DIFFUSE AND POLITICAL

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ITS ACTIONS ARE SOMEWHAT LESS MODERATE AND PRAGMATIC THAN IN
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LATIN AMERICA. WE EXPECT A CONTINUATION OF BRAZIL'S TENDENCY
TO CONCENTRATE NARROWLY ON EXPANDING ITS PRESENCE

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IN AFRICAN STATES, WITH MINIMAL REGARD TO BROADER WESTERN SECURITY IMPLICATIONS, AND TO GIVE AT LEAST VERBAL SUPPORT TO THE MORE EXTREME AFRICAN AND THIRD WORLD FORMULATIONS FOR SOLUTIONS OF APARTHEID, MAJORITY RULE IN SOUTHERN AFRICA AND DECOLONIZATION OF NAMIBIA.

B. NON-PROLIFERAION--THE NUCLEAR QUESTION WILL BE THE CENTRAL, MOST DIFFICULT, MOST INFLAMMATORY, AND POTENTIALLY MOST DESTRUCTIVE ELEMENT IN THE US-BRAZILIAN RELATIONSHIP OVER THE NEXT EIGHTEEN MONTHS, AND POSSIBLY OVER THE NEXT DECADE. AT THE SAME TIME, THERE ARE TREMENDOUSLY IMPORTANT STAKES INVOLVED FOR THE USG THAT GO FAR BEYOND BRAZIL. A BRAZILIAN "NUCLEAR OPTION," THROUGH DIRECT AND PRECEDENTIAL EFFECTS, WOULD POSE A THREAT TO WORLD PEACE AND TO EXISTING REGIONAL AND WORLD BALANCES OF POWER. THE IMMEDIATE ISSUE IS TO FIND A SOLUTION TO US PROBLEMS WITH THE BRAZILAIAN-GERMAN NUCLEAR AGREEMENT.

BRAZIL PERCEIVES THE NUCLEAR PROGRAM AS CRITICAL TO ITS FUTURE AS A NATION. BRAZIL'S LEGITIMATE ENERGY NEEDS ARE GREAT--ELECTRICITY CONSUMPTION INCREASED BY MORE THAN 10 PERCENT PER YEAR
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OVER THE PAST DECADE. IN BRAZILIAN EYES, ITS MID-TERM ENERGY CHOICE IS BETWEEN NUCLEAR ENERGY AND IMPORTED PETROLEUM. THE BROAD POLITICA APPEAL OF THE NUCLEAR PROGGRAM AND THE UNMISTAKABLE PRIDE IT HAS GENERATED, HOWEVER, DERIVE FROM ACCESS TO TECHNOLOGIES THAT BRAZILIANS BELIEVE WILL LEAD TO A "NUCLEAR OPTION," WITH ITS ATTENDANT PRESTIGE. AN EMBARRASSING DEFEAT FOR HIS ADMINISTRATION ON THE AGREEMENT NOW WOULD SERIOUSLY WEAKEN GEISEL AND THE REVOLUTION, PERHAPS TO A POLITICALLY FATAL POINT.

BRAZIL'S SENSITIVITY TO REAL OR IMAGINED IMPEDIMENTS TO ITS INDEPENDENCE AND FUTURE BECAME PRONOUNCED IN THE 1967-68 PERIOD--PRINCIPALLY OVER NUCLEAR POWER EFFORTS TO GAIN BRAZILIAN ADHERENCE TO THE NPT, AGAINST WHICH BRAZIL AND INDIA HAD LED THE INTERNATIONAL OPPOSITION. BRAZIL'S DEVOTION TO PRESERVING ITS INDEPENDENCE SHOWED ALSO IN ITS APPROACH TO THE TLATELOLCO TREATY. FOR THE SAME REASON, BRAZIL BITTERLY RESENTED US EFFORTS WITH THE FRG PRIOR TO THE CONCLUSION OF THE BRAZILIAN-GERMAN AGREEMENT. NOW, IN 1977,

FOLLOWING THE UNANIMOUS INTERNATIONAL APPROVAL OF THE IAEA SAFEGUARDS AGREEMENT WITH BRAZIL AND WEST GERMANY, BRAZIL IS EVEN MORE INDIGNANT ABOUT US NUCLEAR INITIATIVES. BRAZIL FIRMLY BELIEVES THAT, THROUGH ADHERENCE TO THE UNPRECEDENTEDLY COMPREHENSIVE SAFEGUARDS TREATY, IT HAS MORE THAN FULFILLED THE MORAL, POLITICAL, AND LEGAL OBLIGATIONS OF THE ESTABLISHED WORLD NON-PROLIFERATION ORDER. THIS DONE, THE BRAZILIAN-GERMAN AGREEMENT IS SEEN AS A MATTER WITHIN THE EXCLUSIVE JURISDICTION OF THE NATIONAL SOVEREIGNTIES INVOLVED. BRAZIL SIGNALLED, PROBABLY INTENTIONALLY, WITH ITS REACTION TO THE HUMAN RIGHTS REPORT THAT IT WOULD REACT VIGOROUSLY, AT COST TO ITS RELATIONSHIP WITH THE US IF NECESSARY, AGAINST PERCEIVED INCURSIONS INTO ITS SOVEREIGNTY ON THE NUCLEAR QUESTION.

C. US-BRAZILIAN MILITARY COOPERATION--WHILE THE US WOULD OBVIOUSLY LIKE TO HAVE BRAZILIAN SUPPORT IN A LARGE NUMBER OF US CONTINGENCIES, THE GOB HAS SHOWN NO INCLINATION TO BUILD THE KINDS OF FORCES NECESSARY TO PROJECT HER POWER SUBSTANTIALLY BEYOND HER BORDERS. THUS HER STANDING FORCES NOW GIVE HER LITTLE CAPABILITY

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TO COMPLEMENT US FORCES SIGNIFICANTLY IN A PROSPECTIVE DEFENSE ROLE IN THE SOUTH ATLANTIC. FOR THE NEAR TERM WE SEE NO SHIFT IN THE GOB'S PRIORITIES WHICH WOULD SUBORDINATE ECONOMIC GROWTH TO GREATER DEFENSE SPENDING AND NEEDED MODERNIZATION, ALTHOUGH PARALLEL RATES OF GROWTH OF A DOMESTIC ARMS INDUSTRY AND THE INDUSTRIAL SECTOR WILL REMAIN A NATIONAL GOAL IN PRINCIPLE.

THE RECENT RENUNCIATION OF FY-78 MUTUAL DEFENSE ASSISTANCE TREATY RAISES ADDITIONAL QUESTIONS ABOUT FUTURE MILITARY COOPERATION BETWEEN THE USG AND GOB, AS WELL AS ABOUT THE EXTENT TO WHICH DEFENSE COOPERATION CAN CONTINUE TO BE REGARDED AS A MEANS OF POTENTIAL INFLUENCE IN BEHALF OF US INTERESTS. BRAZIL WILL CONTINUE TO DEPEND UPON THE US NUCLEAR SHIELD FOR HER STRATEGIC PROTECTION, AND WE BELIEVE WILL WANT A LEVEL OF MILITARY RELATIONSHIP WITH THE US SUFFICIENT TO HEDGE AGAINST THE UNLIKELY CONTINGENCY OF SUPERPOWER CONFLICT SPILLING OVER INTO SOUTH AMERICA AND ITS MARITIME APPROACHES.

WITH SECURITY ASSISTANCE RENOUNCED, THE GOB WILL NO LONGER BE ABLE TO PROCURE SEMI-CONCESSIONAL OR CONCESSIONAL US MATERIEL, SERVICES, AND TRAINING WHICH HAVE LUBRICATED THE SECURITY RELATIONSHIP IN THE PAST, AND PROVIDED A BASIS FOR EXTENSION OF US MILITARY DOCTRINE AND MUTUALLY BENEFICIAL STANDARDIZATION/RATIONALIZATION. AS A CONSEQUENCE, WE EXPECT THE GOB TO CONTINUE ITS LONG-STANDING TENDENCY TO DIVERSIFY ITS SOURCES OF MATERIEL AND STIMULATE ITS DOMESTIC ARMS INDUSTRY, A TREND PREFERRED PARTICULARLY BY THE YOUNGER GENERATION OF HIGHLY NATIONALISTIC OFFICERS. THERE AREH, \$8:-589, 5#3 & 9? 28)) :9,58,73 59 574, 59 23 534, 374903 *94 :9.0)3/ 23-09, 6 53. , THOUGH WE EXPECT A

CONTINUING HIGH LEVEL OF INTEREST IN AND EFFECTIVE DEMAND FOR
US EQUIPMENT AND TECHNICAL DATA STILL AVAILABLE THROUGH THE MILITARY
RELATIONSHIP. IN THE NEAR TERM WE DO NOT EXPECT ANY ARMS PURCHASES
BY BRAZIL FROM THE WARSAW PACT COUNTRIES.

THERE IS EVIDENCE THAT THE GOB WAS NOT FULLY APPRECIATIVE
OF THE CONSEQUENCES OF ITS APPARENTLY RAPID DECISION TO RENOUNCE
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SECURITY ASSISTANCE AND TO DENOUNCE THE 1952 AGREEMENT. IT MAY
HAVE ORIGINALLY THOUGHT IT WAS RENOUNCING CREDITS AND TRAINING
IT DID NOT PLAN TO USE ANYWAY AND THAT THE FMS CASH SALES OPTION
WOULD STILL BE OPEN. IF, AS A NUMBER OF OUR BRAZILIAN MILITARY CON-
TACTS ASSURE US, THE RENUNCIATION/

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C O N F I D E N T I A L SECTION 5 OF 10 BRASILIA 3223

DENUNCIATION WAS AN ISOLATED POLITICAL ACT, THERE IS A STRONG
POSSIBILITY THAT THE BRAZILIAN ARMED FORCES WILL CONTINUE TO
VALUE THE JBUSMC CONSULTATIVE MECHANISM AND CONTINUE TO SEEK US
MILITARY TECHNOLOGY THROUGH PURCHASE OF SOME WEAPONS SYSTEMS,
PARTS AND SERVICES VIA PURELY COMMERCIAL CHANNELS.

THERE IS, HOWEVER, A LESS LIKELY POSSIBILITY THAT THE

RENUNCIATION/DENUNCIATION WAS ONE OF A PLANNED SERIES OF MOVES TO FURTHER REDUCE MILITARY COOPERATION WITH THE UNITED STATES. IN THIS CONTINGENCY, FUTURE COOPERATION-LIMITING MEASURES BY THE BRAZILIANS, DEPENDING ON THE DETERIORATION THEY PERCEIVE IN RELATIONS WITH THE US, COULD INCLUDE:

-THE CREATION OF OBSTACLES TO MUTUAL COMMUNICATION AND COOPERATION, WHILE COOLING AND FORMALIZING AOF THE MILITARY-TO-MILITARY RELATIONSHIP, INCLUDING POSSIBLE PRESSURE ON OUR SUPPORT FACILITIES, REDUCED INVOLVEMENT IN JBUSMC, OR REDUCED RESPONSIVENESS IN SUCH AREAS AS RENEGOTIATIONS OF THE MAPPING AGREEMENT.

-DENUNCIATION OF THE 1955 AGREEMENT CREATING JBUSMC/JBUSDC AND
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FURTHER DIVERSIFICATION OF EXTERNAL SOURCES OF MILITARY MATERIEL, SERVICES, AND TRAINING.

- REFUSAL TO PARTICIPATE IN UNITAS, CARIBEX, OR CPXS OR OTHER JOINT EXERCISES IN WHICH BRAZIL HAS NORMALLY PARTICIPATED IN THE PAST.

C. POLITICAL DEVELOPMENT AND BASIC HUMAN RIGHTS --THE PROSPECTS FOR FURTHER POLITICAL LIBERALIZATION (DISTENSAO) EFFECTIVELY ENDED IN LATE MARCH 1977 WITH THE TEMPORARY CLOSURE OF CONGRESS BY PRESIDENTIAL DECREE, FOLLOWED BY A SERIES OF FAR-REACHING CONSTITUTIONAL CHANGES BY FIAT TO CURB THE OPPOSITION AND PREVENT A GOVERNMENT ELECTORAL DEFEAT IN 1978. WHETHER THESE MEASURES WILL LEAD TO MORE SEVERE REPRESSION--INCLUDING TIGHTER PRESS CENSORSHIP--WILL DEPEND LARGELY UPON THE RESPONSE OF OPPOSITION ELEMENTS, PARTICULARLY THE MDB ITSELF. SHARP RESISTANCE, A REAL POSSIBILITY WITHIN THE PARTY'S MORE RADICAL WING, COULD SPARK STRONGER GOVERNMENT COUNTER-REACTIONS SUCH AS WIDESPREAD CASSATIONS AND OTHER FORMS OF REPRESSION WITH SERIOUS HUMAN RIGHTS CONNOTATIONS. THE BASIC THRUST OF SUCH MEASURES IS LARGELY IMPERVIOUS TO US INFLUENCE, THOUGH THE GOVERNMENT CONCERN OVER INTERNATIONAL REPERCUSSIONS MAY AFFECT THEIR STYLE OR TIMING.

THE QUESTION OF BASIC HUMAN RIGHTS, PRINCIPALLY THE GOVERNMENT'S TREATMENT OF PERSONS PERCEIVED AS THREATS TO INTERNAL SECURITY, IS A SEPARATE BUT INTERRELATED ISSUE, UPON WHICH THE US CAN HAVE SOME REAL INFLUENCE. ALTHOUGH SINCE EARLY 1976 THERE HAS BEEN A CONTINUED STRONG COMMITMENT ON THE PART OF PRESIDENT GEISEL TO CURB TORTURE AND SOME OTHERS OF THE MOST SERIOUS ABUSES OF BASIC HUMAN RIGHTS, THERE IS LACK OF SYMPATHY WITH THIS POLICY WITHIN CONSERVATIVE MILITARY CIRCLES, AND THERE HAS BEEN OCCASIONAL DEFIANCE OF IT BY SOME ELEMENTS OF THE SECURITY APPARATUS. THE REGIME'S CONTROLS OVER THE BEHAVIOR OF THE SECURITY ORGANS ARE BY NO MEANS FOOLPROOF, AS THEY REST MORE UPON THE OVERSIGHT

OF KEY PERSONALITIES AT THE TOP THAN UPON A THOROUGHGOING PURGE
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OF THE SYSTEM, OR THE IMPOSITION OF PENAL (RATHER THAN LIMITED DISCIPLINARY) SANCTIONS FOR OFFENDERS. IN THE ABSENCE OF A SOLID ARMED FORCES CONSENSUS ON THIS SENSITIVE ISSUE, CONTINUED GOVERNMENT PROGRESS TOWARDS THE MORE DRASTIC FORMS OF PREVENTIVE ACTION WILL AT BEST BE DISCREET AND INCREMENTAL. IN THE MEANTIME, IT IS SIGNIFICANT THAT THE GENERAL ABSENCE OF COMPLAINTS OF POLITICAL PRISONER ABUSE OVER THE LAST YEAR IS DUE NOT ONLY TO BETTER SECURITY PRACTICES, BUT ALSO TO A DROP IN THE ACTUAL NUMBER OF DETENTIONS, THANKS PARTLY TO HIGH-LEVEL ORDERS REQUIRING THE SECURITY ORGANS TO LIMIT ARRESTS (THOUGH NOT VIGILANCE).

IN THE MEDIUM TERM, ARRESTS MAY INCREASE, AS PRESSURES BUILD FROM THE GROWING IMPATIENCE OF THE SECURITY ORGANS WITH "NO ARREST" ORDERS, FROM THE ACCUMULATION OF TARGET INTELLIGENCE, FROM AN INCREASE IN THE GENERALLY PERCEIVED THREAT OF SUBVERSION IN A PERIOD OF ECONOMIC STRESS AND POSSIBLY SHARP POLITICAL DETERIORATION, AND FROM A POSSIBLE ATTEMPT BY THE SECURITY APPARATUS TO TAKE ADVANTAGE OF THE POLITICAL "HARDENING" OF THE GOVERNMENT. ALTHOUGH AN INCREASE IN ARRESTS WILL PROBABLY RESULT IN NEW COMPLAINTS OF MISTREATMENT, THE SCALE OF ABUSES WILL DEPEND IN LARGE MEASURE UPON THE WILLINGNESS AND ABILITY OF THE TOP LEADERSHIP TO TAKE THE POLITICAL RISKS, ESPECIALLY DURING THE PRESIDENTIAL SUCCESSION PROCESS, NECESSARY TO RESTRAIN THE SECURITY APPARATUS.

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NSC-05 TRSE-00 USIA-06 /084 W
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R 230930Z APR 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 1231
INFO AMEMBASSY BUENOS AIRES
CHMN USDEL JBUSMC RIO DE JANEIRO

AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 6 OF 10 BRASILIA 3223

III. OBJECTIVES AND COURSES OF ACTION

OBJECTIVE 1

TO DEVELOP A WEB OF VARIED AND ENDURING TIES WITH BRAZIL THAT WILL BE RESPONSIVE TO BRAZIL'S SPECIAL NEEDS AS AN INTERMEDIATE DEVELOPING COUNTRY AND THAT WILL DEMONSTRATE TO BRAZIL THE LONG-RANGE ADVANTAGES OF ASSOCIATION WITH THE US AND THE WEST.

COURSES OF ACTION

1. RESUME AND REANIMATE THE CONSULTATIVE PROCESS WITH BRAZIL PRESCRIBED IN THE MOU, ASSURING REGULAR SEMI-ANNUAL MEETINGS AT THE FOREIGN MINISTER LEVEL, AT LEAST ANNUAL MEETINGS BETWEEN THE SECRETARY OF THE TREASURY AND MINISTRY OF FINANCE AND, AT LEASE SEMI-ANNUALLY, CAREFULLY PREPARED MEETINGS OF THE TRADE, ENERGY, AND SCIENCE AND TECHNOLOGY SUB-GROUPS.

2. FULLY EXPLOIT THE BILATERAL CONSULTATIVE MECHANISM TO:

A. DISCUSS WITH BRAZIL PLANNED US ACTIONS IN THE TRADE, ENERGY, AND S&T FIELDS WHICH WILL HAVE A DIRECT IMPACT ON BRAZIL;

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B. COORDINATE, AS FEASIBLE, US AND BRAZILIAN ACTIONS AND POSITIONS IN MULTILATERAL FORUMS;

C. URGE BRAZIL TO PLAY A MORE CONSTRUCTIVE AND MODERATING (AND DYNAMIC WHERE APPROPRIATE) ROLE IN THESE FORUMS, PARTICULARLY AMONG THE G-77;

D. OPEN UP NEW AND MUTUALLY ADVANTAGEIOUS POSSIBILITIES FOR COOPERATION IN ECONOMIC AND SCIENTIFIC/TECHNICAL FIELDS.

3. VIGOROUSLY FOLLOW UP US INITIATIVES PROPOSED IN NORTH-SOUTH FORUMS TO HELP BRAZIL AND OTHER LDCS INCREASE TRADE, ACQUIRE TECHNOLOGY, AND DEVELOP ENERGY POLICIES.

4. MAKE CLEAR BY THE MANNER OF OUR APPROACH TO OUR DIVERSE BILATERAL AND MULTILATERAL INTERESTS AND ISSUES THAT WE CONSIDER THAT SERIOUS FRICTIONS ON SOME ISSUES SUCH AS THE NUCLEAR FUEL CYCLE OR HUMAN RIGHTS NEED NOT AND SHOULD NOT CONTAMINATE OUR RELATIONSHIP ON UNRELATED BUT IMPORTANT MATTERS. SEEK TO SHOW THAT CONFLICT IN SOME AREAS NEED NOT PRECLUDE ACHIEVEMENT IN OTHER AREAS.

5. OFFER BRAZIL OPPORTUNITIES FOR PARTICIPATION IN COMMON EFFORTS

OF THE DEVELOPED COUNTRIES, IN SUCH INSTITUTIONS AS OECD, INTERNATIONAL ENERGY AGENCY, OR NATO'S "COMMITTEE ON THE CHALLENGES OF A MODERN SOCIETY," THAT APPEAL TO BRAZIL'S SELF-INTEREST.

6. MAKE EXTENSIVE USE OF THE CONSULTATIVE PROCESS, BOTH FORMAL AND INFORMAL, TO ENCOURAGE A GREATER SENSE OF BRAZILIAN INVOLVEMENT IN EAST-WEST POLITICAL AND SECURITY ISSUES AND TO FOSTER SYMPATHY WITH US AND WESTERN OBJECTIVES AND COMPREHENSION OF THE BRAZILIAN STAKE IN THEM.

7. USE THE CONSULTATIVE PROCESS TO DEMONSTRATE OUR ACCEPTANCE OF BRAZIL AS A MATURE INTERLOCUTOR WITH A SHARED STAKE IN CONSTRUCTIVE SOLUTIONS IN AREAS OF ITS PRIME CONCERN, SUCH AS
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LATIN AMERICA AND AFRICA. SEEK OPPORTUNITIES FOR COOPERATIVE ASSISTANCE PROJECTS INVOLVING BRAZIL, WHEN BRAZIL'S PURPOSES AND OURS ARE COMPATIBLE. PROVIDE FOR AN EARLY VISIT TO BRASILIA OF ASSISTANT SECRETARY SCHAUFLE FOR CONSULTATION ON AFRICA.

8. ENCOURAGE BRAZIL TO CONTINUE TO LOOK TO THE US AS A MAIN, IF NOT PRINCIPAL, SOURCE OF TECHNOLOGY ASSISTANCE AND HIGH-LEVEL TRAINING. ALTHOUGH CONCESSIONAL ASSISTANCE UNDER AID IS TERMINATING, THERE IS A BUILT-IN INTEREST AMONG GOB MINISTRIES AND AGENCIES IN MAINTAINING MANY OF THE WORKING RELATIONSHIPS WITH USG AGENCIES THAT HAVE BEEN DEVELOPED OVER THE LONG AID HISTORY. BECAUSE BRAZIL CONTINUES TO RECEIVE ASSISTANCE FROM OTHER BILATERAL AND MULTILATERAL DONORS, IT HAS BEEN RELUCTANT TO REIMBURSE USG AGENCIES FOR SUCH CONTINUED SERVICES ON A COST-PLUS-OVERHEAD BASIS BUT GOB'S EXTERNAL ASSISTANCE COORDINATION AGENCY (SUBIN) COULD SUPPORT THE INTEREST OF OTHER MINISTRIES IN USG TECHNICAL COOPERATION IF THERE WERE AN APPEARANCE OF CONCESSIONALITY.

OBJECTIVE 2

TO GAIN MORE FREQUENT BRAZILIAN SUPPORT, OR AT LEAST ITS NEUTRALITY, ON ISSUES OF PRIME CONCERN TO THE US IN MULTILATERAL FORUMS.

COURSES OF ACTION

1. SEEK CLOSER AND MORE TIMELY CONSULTATION AND COORDINATION WITH THE GOB IN MULTILATERAL MEETINGS IN WHICH BRAZIL BY ITS WEIGHT AND PROFESSIONAL COMPETENCE CAN PLAY A CONSTRUCTIVE ROLE. FOR THE MOST IMPORTANT INTERNATIONAL GATHERINGS, WE SHOULD SUGGEST THESE CONSULTATIONS IN ADVANCE, FOR A DISCUSSION OF ISSUES ACROSS THE BOARD INSTEAD OF ARRANGING LAST MINUTE MEETINGS TO DISCUSS A SPECIFIC (OFTEN LEGAL OR ORGANIZATIONAL) PROBLEM OF INTEREST TO US.

2. BE ALERT FOR OPPORTUNITIES TO SUPPORT POSITIONS OF SPECIAL INTEREST TO BRAZIL IN MULTILATERAL ORGANIZATIONS. CON-

TINUE ANNUAL GENERAL CONSULTATIONS AT THE ASSISTANT SECRETARY
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LEVEL ON UNGA AND OTHER MULTILATERAL ISSUES. CONSULT IN ADVANCE
ON BRAZIL'S DESIRES ON SPECIFIC ISSUES ON WHICH THE US POSITION
IS FLEXIBLE.

3. WHILE MAINTAINING OUR BASIC POSITION IN THE GATT/MTN CONCERNING
THE RIGHTS AND RESPONSIBILITIES OF LDCS, WORK CLOSELY WITH BRAZIL
IN THE FRAMEWORK IMPROVEMENT GROUP, WHEN OUR OBJECTIVES ARE SHARED,
AND OTHER GATT MTN COMMITTEES OF SPECIAL INTEREST, SUCH AS BALANCE
OF PAYMENTS AND SUBSIDIES COUNTERVAILING DUTIES.

4. MAKE USE OF HIGH-LEVEL ACKNOWLEDGMENTS OR EXPRESSIONS OF
GRATITUDE FOR BRAZILIAN SUPPORT ON ISSUES IMPORTANT TO US,
POINTING OUT WHERE POSSIBLE HOW THE US SEES THAT PARTICULAR
OUTCOME AS CONTRIBUTING TO SOUND WORLD ORDER.
SIMILARLY, PROVIDE AT TIMES A HIGH-LEVEL EXPLANATION OF THOSE
CASES WHERE THE US IS UNABLE TO VOTE WITH BRAZIL ON AN ISSUE OF
CONSIDERABLE BRAZILIAN INTEREST.

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OBJECTIVE 3

A. TO FIND A SOLUTION TO PRESENT US PROBLEMS WITH THE PARTS OF THE BRAZILIAN-GERMAN AGREEMENT THAT REPRESENT SERIOUS, PRECEDENTIAL PROLIFERATION RISKS; AND TO DO THIS AT THE LEAST POSSIBLE TO OTHER AREAS OF THE U.S.-BRAZILIAN RELATIONSHIP; AND

B. TO SEEK, THROUGH BILATERAL AND PLURILATERAL EFFORTS OVER THE MEDIUM AND LONG TERM, TO PROVIDE BRAZIL WITH INCENTIVES TO TAKE A RESPONSIBLE AND HELPFUL ATTITUDE TOWARD INTERNATIONAL EFFORTS TO IMPROVE THE WORLD NON-PROLIFERATION ORDER.

CONSIDERATIONS -- (RATHER THAN SPECIFIC TACTICAL COURSES OF ACTION, WHICH ARE NOW BEING WORKED OUT AT HIGH LEVEL IN THE DEPARTMENT IN RESPONSE TO A RAPIDLY CHANGING SITUATION, THE EMBASSY OFFERS THE FOLLOWING "CONSIDERATIONS" ON WHICH THE US APPROACH TO NON-PROLIFERATION IN BRAZIL SHOULD BE BASED):

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1. US NUCLEAR POLICY SHOULD NOT BE DISCRIMINATORY AGAINST BRAZIL. ARGENTINA, BRAZIL'S HISTORIC RIVAL, AND OTHER NNWS SHOULD BE PLACED ON THE SAME FOOTING AS BRAZIL, WHETHER DEPENDENT ON INDIGENOUS OR TRANSFERRED NUCLEAR TECHNOLOGY.

2. SOLUTIONS TO OUR PROBLEMS WITH THE GERMAN AGREEMENT SHOULD TAKE INTO ACCOUNT BRAZIL'S STRONG CONCERN ABOUT LONG-TERM DEPENDENCE UPON IMPORTED FUELS OF ALL KINDS, INCLUDING ENRICHED URANIUM, WITH THE ACCOMPANYING FOREIGN EXCHANGE DRAIN.

3. US NON-PROLIFERATION AND ARMS CONTROL POLICIES MUST GAIN GREATER INTERNATIONAL ACCEPTABILITY IN ORDER TO MAKE THEM MORE CREDIBLE IN BRAZILIAN EYES. IT IS ESSENTIAL THAT NEW INTERNATIONAL NORMS FOR THE RESTRAINT OF TRANSFERS AND INDIGENOUS DEVELOPMENT OF SENSITIVE TECHNOLOGIES BE ESTABLISHED AND IMPLEMENTED ON A NON-DISCRIMINATORY BASIS AND WITH WIDE INTERNATIONAL SUPPORT. SINCE SUCH NORMS WOULD IMPACT ESPECIALLY HEAVILY ON BRAZIL AND OTHER ADVANCED DEVELOPING NATIONS, PROGRESS IN NON-NUCLEAR AREAS OF THE NORTH-SOUTH RELATIONSHIP, PARTICULARLY IN TECHNOLOGY TRANSFER TO BRAZIL OR RESEARCH ON OTHER ENERGY SOURCES, COULD HELP REDUCE THE STING.

4. SOLUTIONS TO THE PRESENT PROBLEMS DEPENDING ON THEIR NATURE, MUST PROVIDE THE GOB WITH SUBSTANTIAL FACE-SAVING MEANS TO MOVE AWAY FROM ITS INTRANSIGENCE ON THE NUCLEAR ISSUE. THIS NEEDS TO BE ACCOMPANIED BY A US ACCOMMODATION TO THE MAXIMUM EXTENT POSSIBLE ON NON-NUCLEAR ISSUES IN THE RELATIONSHIP, PARTICULARLY

LARLY ON ECONOMIC QUESTIONS.

5. PRESSURES NECESSARY TO ACHIEVE SOLUTIONS SHOULD BE BROUGHT TO BEAR AGAINST THE FRG, WHICH MADE THE DECISION TO BREAK RANK WITH OTHER NUCLEAR EXPORTERS IN AGREEING TO SELL SENSITIVE TECHNOLOGY. WHATEVER BRAZIL'S INTENTIONS FOR THE FUTURE, TO DATE BRAZIL HAS COMPLIED FULLY
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WITH ALL ITS PARTICULAR UNDERTAKINGS WITH THE ESTABLISHED WORLD NON-PROLIFERATION ORDER.

6. US PUBLIC DIPLOMACY ON NON-PROLIFERATION, NECESSARY TO MARSHALL WORLD OPINION, SHOULD MAKE AS FEW SPECIFIC REFERENCES TO BRAZIL AS POSSIBLE.

7. ALL US ACTIONS SHOULD BE FULLY CONSISTENT WITH THE PRECEPT THAT US NON-PROLIFERATION MOTIVES TAKE PRECEDENCE OVER US COMMERCIAL INTERESTS.

8. BRAZIL MUST BE ASSURED THAT ARGENTINA'S NUCLEAR ACTIVITIES WILL BE DEALT WITH VERY SOON AFTER SOLUTIONS ARE REACHED ON THE BRAZILIAN-GERMAN AGREEMENT. THESE EFFORTS MUST DEAL ADEQUATELY WITH REGIONAL SECURITY CONCERNS.

9. ONCE SOLUTIONS ARE DEFINED, THE US CANNOT BACKTRACK SUBSEQUENTLY ON ANY OBLIGATIONS UNDERTAKEN SO LONG AS BRAZIL LIVES UP TO ITS COMMITMENTS. IRONCLAD RELIABILITY OF ANY US OR OTHER FOREIGN FUEL SUPPLY ASSURANCES IS A PRIME EXAMPLE.

OBJECTIVE 4

TO ENCOURAGE BRAZIL TO ACT AS A RESPONSIBLE TRADING AND INVESTMENT PARTNER IN AN INCREASINGLY INTERDEPENDENT WORLD BY: (A) BEGINNING A PROCESS OF ELIMINATING ITS TRADE RESTRICTIONS; (B) MAINTAINING ITS ESSENTIALLY POSITIVE APPROACH TO FOREIGN INVESTMENT AND ASSURING THAT US DIRECT INVESTORS ARE TREATED ON A EQUAL BASIS WITH OTHER FOREIGN INVESTORS; AND (C) MAINTAINING ITS ABILITY TO SERVICE ITS FOREIGN DEBT.

COURSES OF ACTION

1. SEEK TO PERSUADE BRAZIL THAT ITS SYSTEM OF EXPORT INCENTIVES (SUBSIDIES) IS COUNTER PRODUCTIVE AND SHOULD BE PHASED OUT
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BECAUSE THEY TRIGGER DEMANDS FOR OFFSETTING MEASURES ON THE PART OF THE US AND OTHER DEVELOPED-COUNTRY INDUSTRIES.

2. TAKE BRAZIL TO TASK, BOTH BILATERALLY AND IN GATT IN CASES OF PROVEN DISCRIMINATION AGAINST US IMPORTS INCLUDING THAT BASED ON BRAZILIAN REACTION TO BILATERAL TRADE DEFICITS. WE SHOULD CONTINUE TO REMIND THE GOB, THROUGH THE MECHANISM PROVIDED BY THE SUB-GROUP ON TRADE AND OTHER BILATERAL CHANNELS, THAT MANY OF THEIR TRADE RESTRICTIONS RUN AFOUL OF GATT AND THAT THE PROCESS OF ELIMINATING THEM SHOULD BE STARTED -- PARTICULARLY TO THE EXTENT THAT THE CURRENT ACCOUNT DEFICIT IS BROUGHT UNDER BETTER CONTROL, AS IT WILL BE IN 1977.

3. AT THE SAME TIME, EXERCISE AS MUCH FLEXIBILITY AS THE LAW AND THE IMPERATIVES OF GLOBAL POLICY ALLOW IN ACCOMMODATING BRAZILIAN TRADE INTERESTS; SPECIFICALLY, WE SHOULD ENCOURAGE THE BRAZILIAN MINISTRY OF FINANCE TO UNDERTAKE A SERIOUS EXAMINATION OF THE SUGGESTION. CURRENTLY UNDER STUDY BY THE TREASURY DEPARTMENT, TO SEEK A GLOBAL SOLUTION TO SUBSIDY COUNTERVAILING DUTY PROBLEMS.

4. MAINTAIN THE TREASURY DEPARTMENT/FINANCE MINISTRY RELATIONSHIP, WHICH HAS BEEN AN EFFECTIVE MEANS OF ATTENUATING TRADE DIFFICULTIES. CONTINUE A CLOSE WORKING RELATIONSHIP BETWEEN THE SECRETARY OF TREASURY AND THE

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FINANCE MINISTER. EXPRESS THROUGH THIS CHANNEL A HIGH-LEVEL INTEREST IN ECONOMIC TRENDS AND DEVELOPMENTS IN BRAZIL.

5. CONTINUE TO STRESS THE IMPORTANT CONTRIBUTION WHICH FOREIGN DIRECT INVESTMENT HAS HAD ON BRAZIL'S ECONOMIC DEVELOPMENT, AND THE SPECIAL ROLE PLAYED BY US INVESTORS.

6. ENCOURAGE THE RECENTLY FORMED US-BRAZIL BUSINESS COUNCIL TO SPONSOR SPECIAL SEMINARS ON INVESTMENT OPPORTUNITIES IN BRAZIL IN ADDITION TO ITS REGULAR MEETINGS.

7. WORK CLOSELY WITH THE IMF AND WORLD BANK IN MONITORING BRAZIL'S ECONOMIC POLICIES. WITHOUT APPEARING TO BE THE PRINCIPAL PLAYER, GET THESE INSTITUTIONS TO BE MORE CANDID IN THEIR ASSESSMENT OF ECONOMIC POLICIES IN BRAZIL.

8. DEVELOPMENT CLOSER CONSULTATIVE AND WORKING RELATIONSHIPS BETWEEN USDA AND THE BRAZILIAN MINISTRY OF AGRICULTURE TO
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DEVELOP AND EXPLOIT, CONSISTENT WITH OVERALL US AGRICULTURAL TRADE POLICIES, THE PARALLELISM OF INTERESTS OF THE US AND BRAZIL AS THE WORLD'S FIRST AND SECOND AGRICULTURAL-EXPORTING NATIONS.

OBJECTIVE 5

TO ENCOURAGE THE BRAZILIAN LEADERSHIP AT LEAST TO BUILD ON THE IMPROVEMENTS IN THE TREATMENT OF POLITICAL PRISONERS OVER THE LAST YEAR, BY CONTINUED EFFORTS TO CURB THE EXCESSES OF THE SECURITY FORCES, IF NOT TO REFORM THEM, DURING A PERIOD OF INCREASED RISK OF HUMAN RIGHTS VIOLATIONS. AT THE SAME TIME WE SHOULD CONTINUE TO SIGNAL OUR CONCERN OVER THIS ISSUE TO OTHER ELEMENTS OF BRAZILIAN SOCIETY, AS A MEANS OF ENCOURAGING DOMESTIC PRESSURES TOWARDS THE SAME END AND OF STRENGTHENING OUR POSITION AMONG ELEMENTS, PARTICULARLY AT THE POLITICAL CENTER AND LEFT, WHICH IN THE FUTURE MAY ATTAIN GREATER INFLUENCE.

COURSES OF ACTION

1. US CIVILIAN AND MILITARY OFFICIALS, INCLUDING PERSONNEL IN BRAZIL, OFFICIALS IN WASHINGTON, AND VISITORS TO BRAZIL, SHOULD TAKE EVERY APPROPRIATE OPPORTUNITY TO RAISE THE QUESTION OF BASIC HUMAN RIGHTS IN FRANK DISCUSSIONS WITH GOB OFFICIALS, PARTICULARLY THOSE AT THE HIGHEST LEVELS. IF WARRANTED BY RETROGRADE EVENTS, THOSE APPROACHES SHOULD MOVE

BEYOND GENERALIZED STATEMENTS OF US PRIORITY INTEREST AND CONCERN FOR LOCAL PROGRESS IN HUMAN RIGHTS, TO ADDRESS SPECIFIC CASES OF MAJOR IMPORT INVOLVING BRAZILIANS. IN PUBLIC STATEMENTS, WE SHOULD MAKE CLEAR OUR CONTINUING CONCERN FOR BASIC HUMAN RIGHTS, AVOIDING STRIDENCY LIKELY TO PROVE COUNTER-PRODUCTIVE, BUT NOT ESCHEWING OCCASIONAL AND CAREFULLY MEASURED EXPRESSIONS OF CRITICISM, IF APPROPRIATE, TO MAINTAIN THE CREDIBILITY OF OUR CONCERN AND OF THE POTENTIAL CONSEQUENCES SHOULD BRAZIL REMAIN INDIFFERENT TO THAT INTEREST. THE MOST
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EFFECTIVE FORA FOR SUCH CRITICISM, BECAUSE LESS DIRECTLY PROVOCATIVE, WOULD BE THE INTERNATIONAL AND REGIONAL ORGANIZATIONS DEALING WITH HUMAN RIGHTS. THE US SHOULD ACCOMPANY, SUPPORT, AND - IF NECESSARY -- ENCOURAGE REASONABLE, RESPONSIBLE EFFORTS BY THESE BODIES IN REGARD TO BRAZIL.

2. EXPLICIT RECOGNITION SHOULD BE GIVEN THE PROGRESS MADE BY THE GEISEL REGIME -- A PROGRESS WHICH HAS BEEN WIDELY RECOGNIZED AND HAS STIMULATED SOME EXCESSIVE SELF-RIGHTEOUSNESS ON THE PART OF THE REGIME. IF EXPRESSED IN SUCH A WAY AS TO AVOID COMPROMISING OR PATRONIZING THE REGIME, FAVORABLE COMMENT COULD ENCOURAGE FURTHER PROGRESS, ENHANCE US CREDIBILITY ON THE ISSUE, AND DIMINISH THE WIDESPREAD LOCAL TENDENCY TO VIEW (OR PROFESS TO VIEW) OUR PURSUIT OF HUMAN RIGHTS AS A VEILED WEAPON FOR THE CYNICAL PURSUIT OF OTHER INTERESTS.

3. OUR INFORMATION AND EXCHANGE PROGRAMS SHOULD BE USED TO CONVEY THE MESSAGE (NOT COMPLETELY UNDERSTOOD HERE) THAT HUMAN RIGHTS IS NOT THE PASSING FAD OF ONE ADMINISTRATION, BUT A WIDESPREAD AND ENDURING INTEREST OF AMERICAN SOCIETY; AND TO BRING ABOUT GREATER BRAZILIAN AWARENESS OF THE BENEFITS OF A DEMOCRATIC, PLURALISTIC SOCIETY COMMITTED TO UPHOLDING HUMAN DIGNITY.

4. IN PURSUING THIS ISSUE THROUGH OFFICIAL CONTACTS AND OUR CULTURAL/INFORMATION PROGRAMS, WE MUST RECOGNIZE AS A PRIORITY AUDIENCE THE BRAZILIAN MILITARY, WHICH IS THE KEY TO SECURE AND LASTING PROGRESS IN HUMAN RIGHTS AS WELL AS THE HEART OF THE PROBLEM. SUCH AWARENESS SHOULD INFLUENCE US DISCUSSIONS WITH BRAZILIAN MILITARY PERSONNEL, WHETHER IN LOCAL CONTACTS, DURING OFFICIAL VISITS BY OFFICERS OF EITHER COUNTRY, AND IN MULTILATERAL DEFENSE CONFERENCES AND INSTITUTIONS, SUCH AS THE CONFERENCE OF THE AMERICAN ARMIES AND THE INTER-AMERICAN DEFENSE COLLEGE.

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5. FINALLY, WE SHOULD MAINTAIN CLOSE CONTACT WITH PRINCIPAL LOCAL ORGANIZATIONS AND LEADERS ACTIVE IN DEFENSE OF HUMAN RIGHTS, AS ANOTHER MEANS OF DEMONSTRATING OUR CONCERN TO THE WIDER BRAZILIAN SOCIETY, AND OF ENCOURAGING THEIR OWN EFFORTS TO MOVE THE GOVERNMENT IN A POSITIVE DIRECTION.

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NSC-05 TRSE-00 USIA-06 /084 W
-----231257Z 095659 /43

R 230930Z APR 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 1234
INFO AMEMBASSY BUENOS AIRES
CHMN USDEL JBUSMC RIO DE JANEIRO
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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OBJECTIVE 6

TO PRESERVE AND MAINTAIN AS CLOSE A MILITARY RELATIONSHIP WITH BRAZIL AS POSSIBLE IN THE WAKE OF GOB ACTIONS AND TO SEEK TO DEVELOP NEW FORMS OF MILITARY COOPERATION.

COURSES OF ACTION

1. ASSUMING THAT THE BRAZILIAN'S INTENTION IS TO COTINUE COOPERATION, THE USG IN RESPONSE SHOULD:

(A) CONTINUE IN AN ENTIRELY NORMAL, BUSINESS-LIKE FASHION, THE DAY-TO-DAY DEALINGS WITH THE BRAZILIAN ARMED FORCES, WITHIN AND OUTSIDE JBUSMC, ON ON-GOING

SECURITY ASSISTANCE AND OTHER MATTERS, AIDING THEM TO DEVELOP WHERE POSSIBLE ALTERNATIVE MEANS OF COMMERCIAL ACCESS TO US EQUIPMENT AND TECHNICAL DATA PREVIOUSLY PROVIDED THROUGH FMS.

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(B) BE FULLY COOPERATIVE WITH ANY EXPRESSED BRAZILIAN MILITARY DESIRES TO CONTINUE ACCESS TO SOME FORMS OF SECURITY ASSISTANCE BEYOND FY-77, BEING ABSOLUTELY SURE THAT OUR COOPERATION HAS THE APPROVAL OF THE GOB ON THE BASIS OF ITS CLEAR UNDERSTANDING OF THE INTERNAL QDG MEASURES REQUIRED.

2. SEEK AN EXCEPTION FOR THE UNITED STATES DELEGATION FROM THE OPERATION OF THE LAW CONCERNING MISSIONS, MAAGS AND SIMILAR ORGANIZATIONS. WE HAVE LONG HELD THE POSITION THAT JBUSMC IS A HIGH-LEVEL CONSULTATIVE BODY WITH THE PURPOSE OF FURTHERING COMMON DEFENSE GOALS AND INTERESTS OF THE TWO COUNTRIES AND THAT AS SUCH, IT SHOULD BE CONSIDERED AS BASED ON A GOVERNMENT-TO-GOVERNMENT AGREEMENT AND SUBJECT TO MODIFICATION OR CHANGE ONLY AFTER BILATERAL CONSULTATION. WE BELIEVE THAT BRAZIL WILL RESENT THE UNITED STATES DELEGATION'S BEING VIEWED IN AN ADVISORY RATHER THAN CONSULTATIVE CAPACITY AND WOULD BE JUSTIFIABLY IRRITATED AT ANY FURTHER UNILATERAL ACTIONS AFTER THE REDUCTION OF GENERAL/FLAG OFFICERS. IF ANY FURTHER ACTION IS TAKEN TO WEAKEN JBUSMC, IT SHOULD BE AT GOB INITIATIVE AND NOT OURS.

3. SHOULD THE BRAZILIANS REACT TO SUBSEQUENT EVENTS BY FURTHER REDUCING THEIR MILITARY COOPERATION WITH THE US, RESPOND WITH A "BUSINESS-AS-USUAL" APPROACH, AVOIDING REACTIONS THAT SUGGEST ANXIETY OR CONCERN AND MAKING CLEAR OUR WILLINGNESS TO CONTINUE COOPERATION IN THOSE AREAS UNAFFECTED BY BRZILIAN DECISIONS. AT THE SAME TIME, CAREFULLY REASSESS US BASIC OBJECTIVES IN BILATERAL MILITARY COOPERATION WITH BRAZIL IN THE LIGHT OF OVERALL US NATIONAL SECURITY AND HEMISPHERIC DEFENSE INTERESTS TO DEVELOP ALTERNATIVE MEANS OF ADVANCING THESE INTERESTS, SUCH AS THROUGH GREATER DEFENSE COOPERATION WITH BRAZIL IN THE CONTEXT OF MULTI-CONFIDENTIAL

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LATERAL HEMISPHERIC AND WESTERN DEFENSE EFFORTS.

OTHER AGENCY PARTICIPATION

1. OBJECTIVE ONE DRAWS ON ALL US AGENCIES IN BRAZIL AND THEIR CONTACTS WITH THE BRAZILIAN GOVERNMENT. MUCH OF THE TASK OF COMMUNICATION AND PERSUASION SPELLED OUT IN THE "COURSES OF ACTION" IS CARRIED OUT PARTICULARLY BY STATE AND USIA, AND BY OTHER US ECONOMIC AGENCIES, SUCH AS TREASURY AND AID.

2. OBJECTIVE TWO ENTAILS WHAT IS ESSENTIALLY A DIPLOMATIC EFFORT CONDUCTED PRINCIPALLY BY STATE, REPORTED TO SOME EXTENT BY THE ECONOMIC AGENCIES, PRINCIPALLY TREASURY.

3. OBJECTIVE THREE REQUIRES CONSIDERABLE SUPPORT OF USIA IN PRESENTING US NON-PROLIFERATION OBJECTIVES CONVINCINGLY TO THE BRAZILIAN AUDIENCE. THE BRAZILIAN MILITARY'S DEEP COMMITMENT TO NUCLEAR DEVELOPMENT ALSO WARRANTS AMPLE USE OF DAO AND USDEL JBUSMC AS INFORMAL CHANNELS AND CONTACTS TO CONVEY US CONCERNS AND OBJECTIVES.

4. OBJECTIVE FOUR, IN ADDITION TO STATE, REQUIRES MAJOR PARTICIPATION HERE BY REPRESENTATIVES OF TREASURY, COMMERCE, AGRICULTURE AND RESIDUAL AID ELEMENTS.

5. OBJECTIVE FIVE-TASK OF CONVEYING US HUMAN RIGHTS CONCERNS TO BRAZILIAN LEADERS IS AN OBLIGATION OF ALL MISSION ELEMENTS. IN ADDITION TO STATE CHANNELS AND CONTACTS, ALL MISSION ELEMENTS THAT DEAL WITH OR REACH THE MILITARY AND SECURITY FORCES SHOULD USE OPPORTUNITIES FOR CONVEYING HUMAN RIGHTS VIEWS TO THEIR CONTACTS AND AUDIENCES. SUCH AGENCIES PRINCIPALLY ARE USIA, DAO, USDEL JBUSMC AND THE DRUG ENFORCEMENT ADMINISTRATION.

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6. OBJECTIVE SIX INVOLVES ESSENTIALLY A DIPLOMATIC-MILITARY EFFORT. PRINCIPAL POINT OF MILITARY COMMUNICATION WILL CONTINUE TO BE USDEL JBUSMC, WITH APPROPRIATE SUPPORT AS NEEDED FROM DAO.

IV. ISSUES

ISSUE NUMBER

1--IN WHAT FORM SHOULD THE US MAINTAIN THE CONSULTATIVE PROCESS AND MECHANISMS WITH BRAZIL?

GIVEN BRAZILIAN SENSITIVITIES ABOUT BRAZIL'S IMPORTANCE AND THE EGOS OF KEY PERSONALITIES, THE

OVERALL QUALITY OF THE US-BRAZILIAN RELATIONSHIP DEPENDS SIGNIFICANTLY ON HIGH-LEVEL INTERCHANGES. THE 1976 VISITS TO BRAZIL BY SECRETARIES KISSINGER AND SIMON, COMBINED WITH THE SIGNATURE BY KISSINGER AND SILVEIRA OF THE MEMORANDUM OF UNDERSTANDING, HAD A POSITIVE IMPACT IN BRAZIL. NOW, WITH US-BRAZILIAN RELATIONS AT THEIR LOWEST POINT IN MANY YEARS AND WITH THE ADVENT OF A NEW US ADMINISTRATION, THE USG MUST DECIDE ON HOW TO HANDLE, FROM ITS STANDPOINT, THE CONSULTATIVE PROCESS WITH BRAZIL. RELEVANT CONSIDERATIONS IN THE DECISION ARE: (A) BRAZIL HAS A LARGER WORLD ECONOMIC PROJECTION AND A GREATER WEIGHT IN WORLD AFFAIRS THAN ANY OTHER LATIN AMERICAN COUNTRY; (B) THE INTENSITY OF US

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R 230930Z APR 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 1235
INFO AMEMBASSY BUENOS AIRES
CHMN USDEL JBUSMC RIO DE JANEIRO
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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DIFFERENCES WITH BRAZIL ON NUCLEAR AND OTHER POLICIES SUGGESTS THE NEED FOR FREQUENT, SUBSTANTIVE AND HIGH-LEVEL CONSULTATIONS; (C) THE MOU ESTABLISHED A CONSULTATIVE PROCESS THAT THE GOB WANTS TO MAINTAIN; (D) THERE IS A COUNTERVAILING NEED NOT TO CONVEY WRONG SIGNALS TO OTHER COUNTRIES ABOUT THE DEGREE OF INTIMACY IN THE US-BRAZILIAN RELATIONSHIP; AND (E) THERE IS NO DOUBT THAT THE SPECIFIC SUB-GROUPS ESTABLISHED UNDER THE MEMORANDUM OF UNDERSTANDING SHOULD BE CONTINUED.

THE EMBASSY RECOMMENDS A MATTER-OF-FACT ENDORSEMENT

OF THE CONSULTATIVE ARRANGEMENT ESTABLISHED IN THE MOU.
A SECOND, LESS PREFERABLE OPTION, WOULD BE TO
REAFFIRM OUR INTEREST IN FREQUENT, HIGH-LEVEL CONSULTATIONS
WITH BRAZIL, BUT AVOID SPECIFIC REFERENCE TO MOU
COMMITMENTS; AND SEEK TO COMPENSATE BY MAKING SPECIAL
EFFORTS TO OBTAIN VISITS BY A WIDER RANGE OF US CABINET
AND SUB-CABINET OFFICIALS.

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ISSUE NUMBER 2--HOW SHOULD THE USG PROCEED TO PERSUADE THE
GOB TO MODIFY ITS TRADE RESTRICTIONS?

ALTHOUGH BRAZIL'S BALANCE-OF-PAYMENTS SITUATION THIS
YEAR HAS IMPROVED, WE DO NOT EXPECT ANY SIGNIFICANT
EASING OF BRAZIL'S IMPORT RESTRICTIONS. ON THE EXPORT
SIDE, EXCEPT FOR THE THREE PRODUCTS COVERED IN THE
SIMON-SIMONSEN AGREEMENT, THERE HAS BEEN DISCUSSION AND
STUDY WITHIN THE GOB BUT NO ACTION TO MODIFY THE
EXTENSIVE AND COMPLEX SYSTEM OF EXPORT INCENTIVES.

THE EMBASSY BELIEVES THAT REMOVAL OF THE EXPORT
SUBSIDIES BY THE GOB REMAINS AN IMPORTANT OBJECTIVE.
BRAZIL IS TOO IMPORTANT A TRADING COUNTRY FOR ITS
VIOLATIONS OF GATT RULES TO BE IGNORED. THE EXISTENCE
OF THESE SUBSIDIES WILL LEAD TO NEW COMPLAINTS BY US
PRODUCERS, AND HENCE NEW TRADE FRICTION. AT THE SAME
TIME, THE PRESENT CLIMATE IS NOT AUSPICIOUS SINCE
US APPROACHES PROPOSING THE MODIFICATION AND PHASE-OUT OF
THESE INCENTIVES WOULD BE SEEN AS A NEW US DEMAND BY THE
GOB. BRAZILIAN SENSITIVITIES ARE INCREASED BY THE FACT
THAT THE INTERPRETATION OF THE TWO GOVERNMENTS AS TO
THE LEGALITY OF THESE INCENTIVES DIFFER.

THE EMBASSY BELIEVES THAT THE USG SHOULD BEGIN A
DIALOGUE ON THE EXPORT INCENTIVES ISSUE, WHILE DOWN-
PLAYING, FOR THE PRESENT, THE ISSUE OF THE BALANCE-OF-
PAYMENTS RELATED IMPORT RESTRICTIONS. FOUR OBJECTIVE
SHOULD BE A COMPREHENSIVE AGREEMENT UNDER WHICH THE GOB
WOULD PHASE OUT THE EXPORT INCENTIVE SYSTEM OVER A
THREE-TO-FIVE YEAR PERIOD. IN RETURN FOR SUCH A PHASE-
OUT SCHEDULE, THE SECRETARY OF THE TREASURY, ACTING IN
CONFORMANCE WITH THE PROVISIONS OF THE TRADE ACT, WOULD
AVOID THE IMPOSITION OF COUNTERVAILING DUTIES WHEN HIS
LEGAL AUTHORITY PERMITS. DISCUSSIONS SHOULD TAKE PLACE
THROUGH THE TREASURY/FINANCE MINISTRY CONSULTATIVE GROUP ON
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TRADE, INVESTMENT, AND FINANCIAL SUBJECTS WITHIN THE
RESPECTIVE COMPETENCIES OF THESE AGENCIES.

ISSUE NUMBER 3 --HOW AND TO WHAT EXTENT SHOULD THE US
CONTINUE BILATERAL MILITARY COOPERATION WITH BRAZIL,
IN VIEW OF BRAZIL'S SELF-IMPOSED INELIGIBILITY FOR
SECURITY ASSISTANCE?

THE EARLIER DISCUSSION OF INTEREST POINT OUT THAT
CONTINUED BILATERAL MILITARY COOPERATION IS USEFUL TO
OUR SECURITY INTERESTS AND THAT WE, THEREFORE, FAVOR
BEING AS RESPONSIBLE AS POSSIBLE TO BRAZILIAN MILITARY
NEEDS AND INTERESTS WITHIN THE LIMITATIONS OF THE
LEGISLATIVE OBSTACLES THE BRAZILIAN RENUNCIATION MAY
HAVE RAISED. WHILE RECOMMENDING RESPONSIVENESS, WE
RECOGNIZE THE RISKS THAT AN EXTENSIVE BILATERAL
COOPERATIVE RELATIONSHIP OUTSIDE THE WORLDWIDE SECURITY
ASSISTANCE FRAMEWORK MIGHT BE SEEN AS AN EFFORT TO
CIRCUMVENT THE CONGRESSIONAL REVIEW PROCESS, MIGHT BE
MISINTERPRETED BY OTHER LATIN AMERICAN GOVERNMENTS THAT
HAVE NOT RENOUNCED AS SINGLING BRAZIL OUT FOR SPECIAL
TREATMENT, OR MIGHT GIVE THE IMPRESSION THAT THE US
IS "REWARDING" OR MAKING CONCESSIONS TO BRAZIL'S TOU Q
AND EMOTIONAL LITS.

THE QUESTION THAT ARISES HERE IS HOW FAR CAN THE
US REASONABLY GO IN BEING ACCOMMODATING WITHOUT ALLOWING
THE BRAZILIANS TO HAVE IT BOTH WAYS, WITH THE PRAZILIA,
EMISSION OF NEGATIVE PUBLIC SIGNALS ABOUT US DEFENSE
ASSISTANCE AT HIGHER POLITICAL LEVELS ACCOMPANIED BY
THE CONTINUATION OF THE ADVANTAGES OF US COOPERATION
FOR THE BRAZILIAN MILITARY AT THE WORKING LEVELS.
MOREOVER, WE HAVE POINTED OUT ELSEWHERE IN THIS
PAPER THE HIGH IMPORTANCE OF CONVEYING OUR HUMAN
RIGHTS CONCERNS FORCEFULLY TO THE BRAZILIAN MILITARY.
OUR ACTIONS TO ASSIST THE BRAZILIANS IN MINIMIZING
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THE MILITARY EFFECTS OF THEIR OWN POLITICAL CHOICES
SHOULD BE CAREFULLY GAUGED SO AS NOT TO CONTRIBUTE
TO THE IMPRESSION THAT THE EXECUTIVE BRANCH IS
SOMEHOW LESS INTENT THEN THE CONGRESS IN UPHOLDING
HIGH HUMAN RIGHTS STANDARDS.
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